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PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1992



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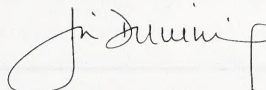
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The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1992.

Respectfully submitted,



Jim Dinning
Provincial Treasurer

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Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985, and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

In June 1990, the federal Income Tax Act was amended to give effect to a reform of the rules governing tax assistance for retirement savings. In order to retain its status as a tax registered pension plan, the Local Authorities Pension Plan required amendment effective January 1, 1992. Accordingly, the Pension Statutes (Transitional Arrangements) Act, 1991 was passed to effect the changes. This Act was subsequently repealed and its provisions incorporated in the Pension Statutes Amendment and Miscellaneous Provisions Act, 1992.

In March 1992, the Provincial Treasurer and the Local Authorities Pension Plan Board announced the terms of an agreement relating to the funding and management of the plan. The Provincial Treasurer proposes to introduce legislation to give effect to the agreed changes.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. Since 1989, employee contributions have been set at a rate of 4.375 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.25 percent on any excess. The employer contributes at a rate of 1 percent higher than the rate of the employee contributions. In order to comply with the amended federal Income Tax Act, contributions are limited to those applicable to pensionable earnings up to \$95,711 for the 1991 and 1992 calendar years.

The net amount of pension contributions less payments is deposited to or withdrawn from the pension fund pursuant to the Pension Fund Act. The income of the pension fund accrues to and forms part of the fund. The Government of Alberta guarantees the payment of all benefits under the Local Authorities Pension Plan.

Members may retire at any time after age 55 if they have accumulated five years of pensionable service. For the purposes of this plan, normal pensionable age is 65. Members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age although federal tax legislation requires that pension payments must begin no later than the end of the year in which the member reaches age 71. Therefore, contributions will not be required and service will not accrue beyond that date.

Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and 2 percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. Pension benefits earned after

Plan Overview (Cont'd)

December 31, 1991, are subject to the maximums imposed by the Income Tax Act. The maximum benefit that can be earned for the 1992 year of service is \$1,722, which equates to maximum pensionable earnings of \$95,711.

If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Up to December 31, 1991, single members could elect a single life pension, a normal pension, or a life pension with a 10, 15, or 20, year guarantee period. After January 1, 1992, in

accordance with the revised Income Tax Act, the 20 year guarantee option is no longer available. Members may also elect a joint life pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Local Authorities Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

Compliance with the June 1990 amendments to the federal Income Tax Act was required effective January 1, 1992. Accordingly, the focus during the year was on computer system, procedural, and other administrative changes required to effect compliance with the new law. Of particular note were the introduction of a system to administer the prior service certification rules, and the application of updated actuarial factors.

As noted in the introduction, the Provincial Treasurer intends to introduce legislation to effect changes to the design, funding, and administration of the Local Authorities Pension Plan. Considerable administrative effort was expended by division staff during the year in planning, reviewing, and analyzing the proposed changes.

The day to day processing of pension transactions is being moved over time from a mainframe to a mini computer. The advantages expected from this move include reduced costs of operation, reduced future development and maintenance costs, and greater flexibility in meeting specific pension requirements. During the year under review, the system for calculating retirement benefits was successfully migrated to the mini computer.

In the previous year, it was reported that the administration had introduced, on a pilot basis, a system to enable employers to directly deposit their contribution remittances into a bank. The pilot test proved to be successful and during the fiscal year 1991-92, the facility was made available to all employers.

Actuarial Liabilities

An independent actuarial valuation of the Local Authorities Pension Plan was carried out at December 31, 1991. The valuation took account of the benefit adjustments required by the application of the revised federal tax rules. In addition, based upon consultations between the Government and the Pension board, revised

economic and demographic assumptions were incorporated into the valuation. The valuation estimated the accrued liability of the Local Authorities Pension Plan at December 31, 1991, to be \$4,316,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 9.6 percent.

Participation

At March 31, 1992, there were 495 employers participating in the Local Authorities Pension Plan, 84,644 active contributors, and 4,608 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These

transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount \$	Number	Amount \$
Public Service Pension Plan	186	3,025,248	148	2,134,964
Public Service Management Pension Plan	11	639,810	19	870,991
Special Forces Pension Plan	-	-	9	92,558
Universities Academic Pension Plan	5	117,835	12	308,929
	202	3,782,893	188	3,407,442

Reciprocal Agreements

At March 31, 1992, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- Government of Canada
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board

Minister of Finance, Government of New Brunswick

Minister of Finance, Government of Prince Edward Island

Ontario Colleges of Applied Arts and Technology

Ontario Municipal Employees Retirement Board

Ontario Teachers' Superannuation Commission

Regina Civic Employees' Superannuation and Benefits Plan

Saint Paul University

Saskatchewan Crown Investments Corporation

Saskatchewan Health Care Association

Saskatchewan Municipal Employees' Superannuation Commission

Saskatchewan Power Corporation Superannuation Board

Saskatchewan Teachers' Superannuation Commission

University of Manitoba

Reciprocal Transfers

During the year ended March 31, 1992, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount \$	Number	Amount \$
Alberta Teachers' Retirement Fund	17	662,355	15	263,486
Government of Canada	14	261,165	10	115,263
Health Sciences of Manitoba	2	25,309	2	11,019
Manitoba Civil Service Superannuation Board	4	135,907	-	-
Ontario Colleges of Applied Arts and Technology	-	-	4	305,692
Ontario Municipal Employees Retirement Board	4	123,544	4	183,388
Regina Civic Employees' Superannuation and Benefit Plan	4	168,004	-	-
Saskatchewan Health Care Association	9	160,644	6	152,758
Saskatchewan Municipal Employees' Superannuation Commission	6	188,232	-	-
Other	3	75,078	-	-
	63	1,800,238	41	1,031,606

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1992:

	Participants At March 31, 1992	Contributions Received		
		Employee \$	Employer \$	Total \$
Cities	22,189	41,213,195	48,092,369	89,305,564
Towns	1,795	2,435,084	2,812,760	5,247,844
Villages	85	118,919	117,178	236,097
Counties	3,276	4,366,329	4,951,207	9,317,536
Municipal Districts	753	1,666,763	1,262,477	2,929,240
School Districts	10,076	11,523,576	13,320,699	24,844,275
Commissions	184	373,664	431,081	804,745
Hospitals	33,865	49,748,289	55,446,208	105,194,497
Other	12,421	21,868,333	25,222,424	47,090,757
Accounts Held on Deposit	4,608	572	-	572
	89,252	133,314,724	151,656,403	284,971,127

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, 190 refunds of excess contributions totalling \$54,028 were made to members and employers during the year.

	Number	Amount \$
Cash	2,673	8,247,284
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	2,086	12,795,548
	4,759	21,042,832

Death in Service Benefits

In the current year, 130 members died while in service. Fifty-eight of the surviving spouses were granted spousal pensions. Lump sums were paid to

a total of 88 individual beneficiaries in respect of the other 72 deaths in service.

Information and Counselling Services

In July 1991, an announcement was made by the Provincial Treasurer regarding proposed reforms to the Alberta public sector pension plans. In conjunction with the announcement two publications were issued entitled, *Planning Responsibly for the Future—A Discussion Paper on Public Sector Pensions* and *Proposals for Pension Reform*. The administration also provided a toll-free line to assist plan members and the public with questions they had on the proposed reform measures.

In February 1992 a pension information leaflet entitled *The Effect of Federal Income Tax Changes* was produced to advise all plan participants of the effect of federal tax changes on

their pension plan.

As mentioned in the introduction, in March 1992, the Provincial Treasurer and the Local Authorities Pension Plan Board announced that an agreement had been reached regarding pension reform, and issued publications entitled *Terms of the Agreement* and *Securing Your Public Sector Pension—A Joint Response to Members*. These were made available to all interested parties.

Payroll and Pensions Division presented 42 information, 12 pre-retirement, and three exit seminars to employees during the year. In addition, six orientation and 18 general workshops were held for employers to assist them in their

Information and Counselling Services (Cont'd)

pension administration responsibilities. Twelve workshops were held to assist employers with plan revisions resulting from the revised Income Tax Act. One workshop was held to assist employers with plan changes proposed in the Terms of Agreement between the Minister and the Local Authorities Pension Plan Board. The average attendance for each seminar and workshop was 37 and 27 respectively.

Alberta Treasury training facilities in Edmonton, as well as facilities in locations across the province, were used for these sessions.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan. The Alberta Retired Public Employees Society was assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

During the year ended March 31, 1992, pension benefits paid totalled \$163,372,158; an increase of \$15,405,993 (10.4 percent) over the previous year.

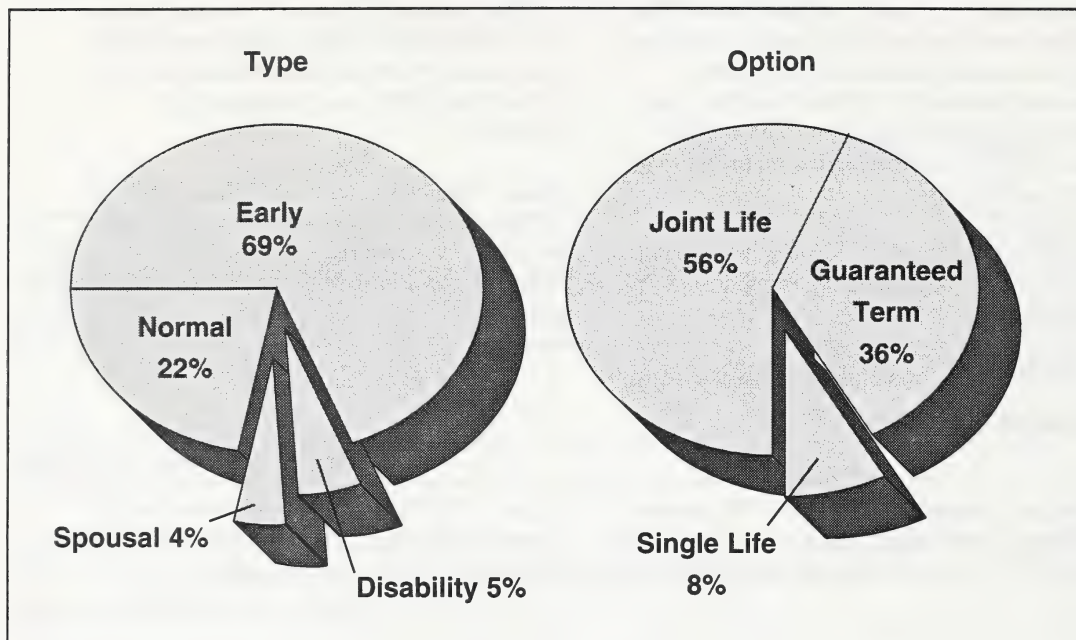
A total of 1,478 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1992		1991	
Normal Retirement	329		357	
Early Retirement	1,017	(623)	845	(521)
Partial or Total Disability	74	(30)	78	(33)
Death-in-Service (Spousal)	58	(22)	62	(29)
	1,478	(675)	1,342	(583)

() Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 293 were in respect of deferred retirements from previous years (40 normal, 218 early, and 35 disability).

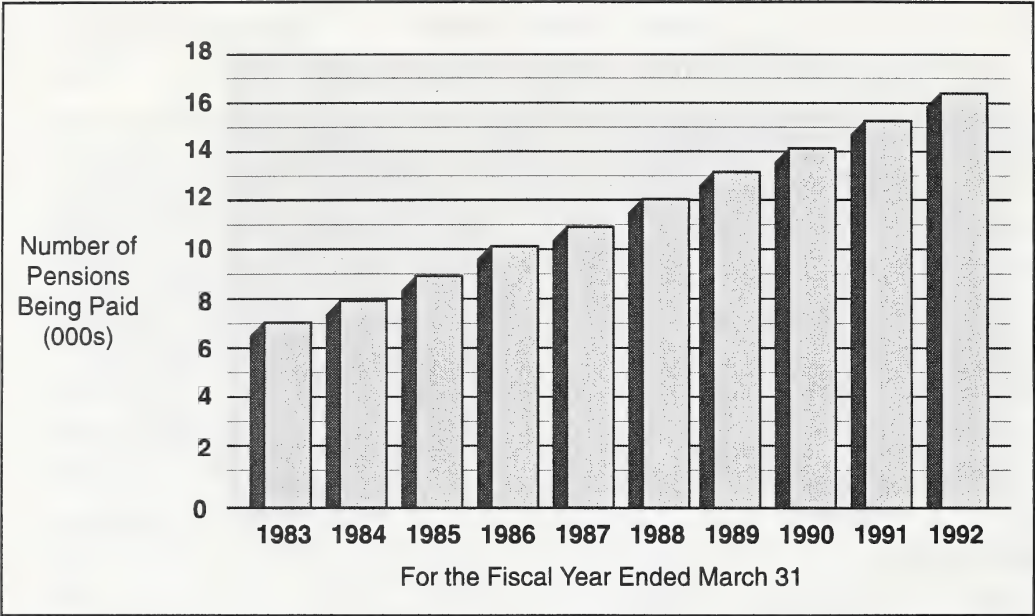
The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:



Pension options selected by members were as follows:

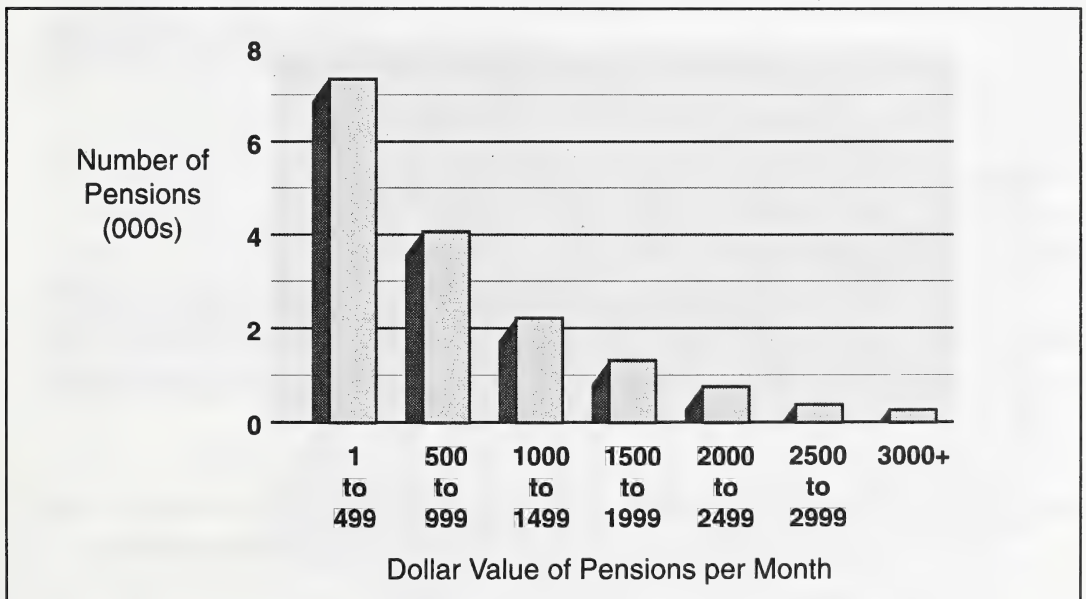
	At April 1, 1991	New Retire- ments	Benefi- ciaries	Deaths	End of Guarantee Term	At March 31, 1992
Member Pensions						
Normal (guaranteed 5 years)	2,202	119	9	(63)	(8)	2,259
Single Life	1,622	114		(68)		1,668
Guaranteed 10 years	2,412	124	24	(84)	(32)	2,444
Guaranteed 15 years	2,195	90	49	(69)	(41)	2,224
Guaranteed 20 years	1,796	139	27	(35)	(6)	1,921
Joint Life non-reduced	2,728	627	45	(50)		3,350
Joint Life reduced one third	1,004	190	12	(14)		1,192
Joint Life reduced one half	283	17	8	(11)		297
Spousal Pensions						
Single Life	246	4		(2)		248
Guaranteed 5 years	67	5				72
Guaranteed 10 years	110	7		(6)		111
Guaranteed 15 years	107	5		(2)		110
Guaranteed 20 years	488	37	7	(6)	(3)	523
Total Pensions	15,260	1,478	181	(410)	(90)	16,419
Pensions Co-ordinated with CPP and/or OAS	7,084	675	74	(150)	(51)	7,632

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1992, by dollar value of monthly pension:

Dollar Value Per Month \$	Member Pensions	Spousal Pensions	Total
1 to 499	6,815	538	7,353
500 to 999	3,745	331	4,076
1,000 to 1,499	2,113	120	2,233
1,500 to 1,999	1,274	51	1,325
2,000 to 2,499	749	18	767
2,500 to 2,999	388	6	394
3,000 and over	271	-	271
	15,355	1,064	16,419



Effective January 1, 1992, a cost of living adjustment of 2.5 percent was granted to those pensioners in receipt of a pension for one year or

more with a proportionately smaller increase granted to those retiring during the calendar year 1991.

Statement of Receipts and Payments

Year Ended March 31, 1992

	1992	1991
	\$	\$
RECEIPTS		
Employee contributions	133,314,724	123,933,976
Employer contributions	151,656,403	141,739,527
Interest on overdue receivables	18,901	34,244
Total Receipts	284,990,028	265,707,747
PAYMENTS		
Benefits		
Pensions to retired members	153,546,386	138,849,135
Pensions to surviving spouses	8,188,856	7,564,065
Lump sums to beneficiaries of deceased pensioners	644,204	883,050
Lump sums to beneficiaries of deceased employees	992,712	669,915
	163,372,158	147,966,165
Withdrawals		
Refunds of contributions and interest		
to terminated members	21,042,832	21,426,098
Reciprocal agreement transfers	1,031,606	1,184,501
Refunds of excess contributions	54,028	104,088
	22,128,466	22,714,687
Total Payments	185,500,624	170,680,852
Excess of Receipts over Payments	99,489,404	95,026,895

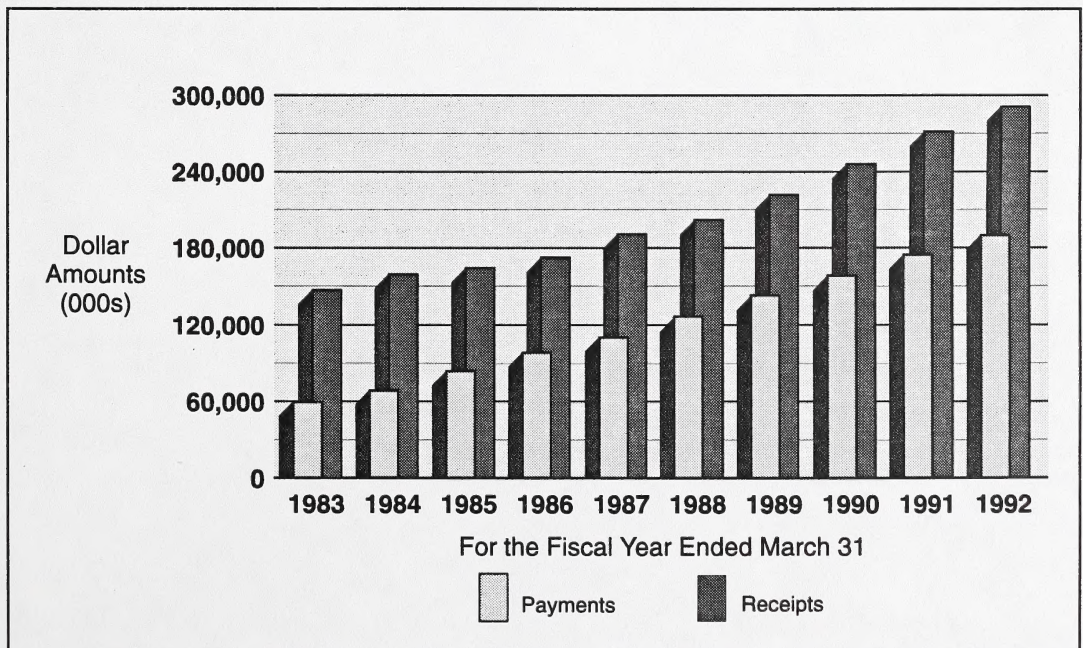
Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five

fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

Fiscal Year	(000s)						Excess of Receipts Over Payments
	RECEIPTS			PAYMENTS			
	Employee	Employer	Total	Benefits	With- drawals	Total	
	\$	\$	\$	\$	\$	\$	
1991/92	133,315	151,675	284,990	163,372	22,129	185,501	99,489
1990/91	123,934	141,774	265,708	147,966	22,715	170,681	95,027
1989/90	112,227	128,718	240,945	133,488	21,505	154,993	85,952
1988/89	101,201	116,212	217,413	119,753	20,071	139,824	77,589
1987/88	92,057	106,211	198,268	105,640	18,092	123,732	74,536



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